



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0512	Title:	Carry over of school district general fund balances
---------------	--------	---------------	---

Primary Sponsor:	Cohenour, Jill	Status:	As Introduced
-------------------------	----------------	----------------	---------------

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
Expenditures:				
General Fund	\$2,845,008	\$2,850,619	\$2,822,495	\$2,813,343
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$2,845,008)</u>	<u>(\$2,850,619)</u>	<u>(\$2,822,495)</u>	<u>(\$2,813,343)</u>

Description of fiscal impact: HB 512 increases the general fund reserve limits from 10% to 15%. It also allows any remaining general fund balance to be either transferred to the flexibility fund or to reduce over-BASE levies. The affect is to increase the state cost of guaranteed tax base aid and potentially increase the local BASE levies by \$4.35 million in FY 2010 and \$4.46 million in FY 2011.

FISCAL ANALYSIS

Assumptions:

- Any K-12 public school district will transfer the unreserved fund balance of the general fund to the school flexibility fund, as allowed by HB 512.
- Calculation of an additional 5% reserve for "budget stability purposes" described in HB 512, were determined using the FY 2009 reserves and increasing the current 10% reserve to 15% per this bill. The additional 5% was then deducted from the FY 2009 ending fund balance reappropriated if available. The additional funding in reserve for "budget stability purposes" would cost the state general fund an additional \$1.1 million per year in guaranteed tax base aid (GTB) to school districts. The additional

reserve would cost the local taxpayers \$4.1 million in FY 2010 and \$4.2 million in FY 2011 to maintain district budgets at the current projected levels in the school funding model.

3. Allowing for a 15% reserve HB 512 would allow K-12 public school districts to transfer \$10.7 million that would have been reappropriated to lower guaranteed tax base aid into school districts' flexibility fund.
4. HB 512 allows districts to transfer any remaining fund balance to the school flexibility fund or to reduce the over-BASE budget levy. Fund balance reappropriated for all districts is assumed to be transferred to the flexibility fund rather than to reduce the over-BASE levy. This would also cost the state general fund an additional \$1.7 million per year in GTB to school districts. The local taxpayer would also have an additional \$2.0 million per year to reach the current budget projects in the school funding model.
5. Direct State Aid, GTB and other general fund components are computed with the school funding model used by the Office of Public Instruction, the Legislative Fiscal Division and the Office of Budget and Program Planning using current statutory entitlements, enrollment estimates and estimated property tax values.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
General Fund GTB	\$2,845,008	\$2,850,619	\$2,822,495	\$2,813,343
<u>Funding of Expenditures:</u>				
General Fund (01)	\$2,845,008	\$2,850,619	\$2,822,495	\$2,813,343
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,845,008)	(\$2,850,619)	(\$2,822,495)	(\$2,813,343)

Effect on County or Other Local Revenues or Expenditures:

1. HB 512 would cost local taxpayers an additional \$6.1 million during FY 2010 and \$6.2 million in FY 2011 because of the 5% increase in reserve for "budget stability purposes" and districts ability to move fund balance to the flexibility fund each year per HB 512.

Technical Notes:

1. HB 512 has an effective date of July 1, 2009. Generally Accepted Accounting Principles (GAAP) require reserves and fund balance transfers to be made by June 30 of each fiscal year. Under GAAP, transfers related to the passage of HB 512 would not be allowed to be made until June 30, 2010.

Sponsor's Initials

Date

Budget Director's Initials

Date